

December 1, 2000

The Honorable Albert Gore, Jr.
President of the Senate
Washington, DC 20510

The Honorable Dennis Hastert
Speaker of the House of Representatives
The Capitol
Washington, DC 20515

Dear Mr. Vice President and Mr. Speaker,

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from April 1, 2000 through September 30, 2000. During this period, the Corporation made a management decision on one audit and completed final action on or closed eight audits. Subsequent to this period, the Corporation closed three additional audits, made final management decisions on six audits and submitted proposed management decisions to the Inspector General on one additional audit.

Financial Management and Reporting. The Corporation managed its finances for all of fiscal 2000 on its new financial management system, Momentum. With the implementation of Momentum software, the Corporation is now compliant with federal financial management system standards and uses the government's standard general ledger. Accounting staff worked hard and long hours to ensure that the implementation was successful and the hard work paid off. As of June 2000, the Corporation successfully performed a "hard close" of its books as recommended by the Inspector General. The resulting financial statements were in balance with no unidentified differences. The Corporation was also able to generate preliminary fiscal 2000 financial statements for audit about six weeks earlier than in fiscal 1999.

Grants Management. In addition to the implementation of a new financial management system, the Corporation started work on a comprehensive grants management information system. In August 2000 we awarded a contract to STR, LLC to design a new grants management system and staffed a development team to work with the contractor to identify system needs and develop system specifications. The design work will be completed in mid-December and programming and pilot testing will start early in calendar 2001. The system is being designed to meet new federal requirements for electronic grant application processes that must be in place in federal agencies by 2003. When fully implemented, it will interface with the



Corporation's financial management system and with the HHS Payment Management System that the Corporation uses to disburse grant funds.

State Commission Surveys. The semi-annual report discusses results of the 18 surveys conducted by the Office of the Inspector General on state commissions. The Corporation awards two-thirds of its AmeriCorps State/National funds to governor-appointed state commissions that in turn subgrant funds throughout each state. The commissions oversee the programs they fund and manage both Corporation and other resources. Their activities and operations reflect the needs and priorities of their respective states. Almost all of them are subject to their own state requirements for administering and monitoring grant funds and use their own state fiscal payment systems. They are responsible for ensuring that federal funds entrusted to their care are expended wisely. They are responsive to recommendations for improvement from the Corporation and the Inspector General, and have worked closely with us to establish effective organizations. As noted in the Inspector General's summary report, over 70% of the commissions (13 out of 18) "indicated that they have initiated corrective action in response to Inspector General findings and recommendations."

Over the last seven years, working closely with the state commissions, we have developed several technical assistance documents to help commissions prudently manage and monitor the awarding of federal funds. Most notably, with significant state involvement, we developed the State Administrative Standards to assess commission activities. The purpose of the Standards is to ensure that each state commission has proper management systems in place for the administration of federal funds. The 11 individual standards that comprise this assessment tool were developed over a two-year period and pilot tested before being finalized in 1999. Each state is subject to a Standards Review process that begins with a self-assessment by the commission using the same assessment instruments a formal review team will use later during an independent assessment. If needed, advance technical assistance is provided to the commission before a review team visits. The review of the commission is a week-long visit by a four-to-six member review team, followed by written feedback. After the review, additional technical assistance is made available to address any needed improvements. So far, reviews are complete on 14 states and another 17 will receive reviews in calendar 2001. The Corporation has established a schedule that anticipates that all commissions will be reviewed by the end of 2002. This process has been very well received by the commissions.

Status of Recommendations on Corporation Management Issues. The Corporation has made substantial progress in addressing recommendations made by the IG. Table V in the semi-annual report does not reflect status reports provided to the Office of the Inspector General by the Corporation during the reporting period on corrective action completed related to the recommendations. In its audit resolution system, the Corporation records 456 recommendations made by the Inspector General in the audit reports listed in Table V. Of these recommendations, the Corporation has corrected and closed 365 recommendations or about 80 per cent, and is still working on 91 recommendations. Of the recommendations in this latter category, most (83) are related to audits issued in fiscal 2000. Enclosed Table IV provides detailed information on the Corporation's audit work.

Overall, the Corporation has shown, and continues to show, a strong commitment to improving management. Management controls are stronger, improvements have been and are being made in infrastructure, and major technology and systems work is underway. The Corporation has established its management priorities in the Action Plan and is aggressively working to implement those priorities within the resources available.

We are sending copies of this semi-annual report to interested Congressional committees, the Office of Management and Budget, and the Corporation's Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact me or Luise Jordan, the Inspector General.

Sincerely,



Harris Wofford

Enclosures

TABLE I
ACTION TAKEN ON AUDIT REPORTS
(for the Period April 1, 2000 through September 30, 2000)

	<u>Number of Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports with final action not taken by the commencement of the reporting period October 1, 1998.	35	
B. Audit reports issued by the OIG during the period	24	
C. Audit reports for which final action was taken during the reporting period	8	
1. Recoveries		
(a) Collections and offsets	4	\$62
(b) Property in lieu of cash		
(c) Other (reduction of questioned costs)		
2. Write-offs	0	
3. Audits with no disallowed costs	4	
D. Audit reports for which final action was not taken by the end of the reporting period. ¹	51	
E. Additional audit reports upon which management decisions were made during the six-month reporting period and for which final action is underway. ²	1	

¹ This includes 36 audits for which final action is not overdue.

² Management decisions on 34 of the remaining 50 audits were made in previous reporting periods or are not yet due.

TABLE II
AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
(for the period April 1, 2000 through September 30, 2000)

	<u>Number of Audit Reports</u>	<u>Dollar value (\$000s)</u>
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	-
B. Audits which were issued during the period	0	-
C. Total audit reports on which management decisions were made during the period.	0	-
D. Audit reports pending action during the period	0	-
E. Audit reports for which final action was taken during the period	0	-
1. Value of recommendations that were completed	0	-
2. Value of recommendations that management concluded should not or could not be implemented or completed	0	0
3. Total of 1 and 2	0	-
F. Audit reports for which no management decisions were made during the reporting period	0	0

TABLE III

**STATUS OF AUDIT REPORTS WITH MANAGEMENT DECISIONS THAT HAD NO FINAL ACTION WITHIN ONE YEAR OF THE ISSUANCE OF THE REPORT
(As of November 28, 2000)**

<u>Audit Number</u>	<u>Date Issued</u>	<u>Title</u>	<u>Disallowed Costs</u>	<u>Status of Action/Reason No Final Action Was Taken</u>
97-02	12/23/96	Audit of the Oregon Youth Conservation Corps	\$161,960	In collection
97-12	4/11/98	Review of the National Alliance of Veteran Family Services Organizations	\$2,958	In collection
98-02	4/27/98	Review of Pre-award Financial Assessment of Grant Applications	N/A	One recommendation remains open on this audit – to revise grants policies and procedures related to pre-award financial assessment. Revised policies and procedures are drafted and will go through the clearance process in December.
98-15	6/29/98	Audit of the Navajo Nation	\$3,093	The Corporation collected disallowed costs and will complete final action after verifying that internal control issues were addressed. Award of a new grant is on hold until corrective action is complete.
98-16	6/29/98	Audit of the Youth Volunteer Corps of America	\$2,430	The Corporation collected disallowed costs and will complete final action after verifying that internal control issues were addressed. Site visit scheduled for second quarter 2001.
98-19	8/27/98	Assessment of AmeriCorps Service Hour Reporting	N/A	The Corporation issued a Notice of Final Action on this audit on 1/21/00 reporting all corrective action complete.
98-23	7/8/98	Auditability Assessment of the Corporation's FY97 Statement of Financial Position	0	The Corporation had completed corrective action on all but five of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same five recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.

99-01	10/9/98	Audit of the Corporation's FY97 Statement of Financial Position	0	The Corporation had completed corrective action on all but two of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same two recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.
99-02	11/17/98	Recommended Improvements to the Corporation's Internal Controls (Management Letter)	0	The Corporation had completed corrective action on all but two of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same two recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.
99-04	1/22/99	Audit of Congressional Hunger Center Cooperative Agreement	\$111,351	In appeal.
99-05	2/26/00	Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Awarded to Congressional Hunger Center	0	As of 9/30/00, 4 of the 5 recommendations were closed. The final recommendation was implemented during the reporting period, but is being reassessed for effectiveness.
99-06	12/23/98	Review of the Corporation's Liability for Post-service Benefits Related to Former Commission on National and Community Service Grants	0	In order to close this audit the Corporation needed to close out former Commission grants. As of 9/1/00, all old Commission grants had been closed. Corrective action is complete.
99-07	7/22/99	Audit of the Corporation's Contracts with Ogilvy, Adams, and Rinehart	(\$17,042)	This audit identified funds owed to the contractor by the Corporation which have been reimbursed. Final action is pending confirmation that internal control procedures have been corrected.
99-09	5/6/99	Audit of Corporation Contracts with Biopheries, Inc	\$739,458	The Corporation provided a proposed management decision on this audit to the OIG on 10/18/00.
99-10	8/2/99	Audit of Corporation Contracts with TvT, Inc.	\$294,094	The Corporation provided a final management decision on this audit to the OIG on 11/20/00.
99-11	3/19/99	Audit of Corporation Contracts with Advanced Systems Technology Corporation	\$5,427	The Corporation completed corrective action on this audit on June 1, 2000. The OIG Semi-annual Report indicated that OIG does not agree that all findings have been resolved. Corporation management was not notified of this until this Semi-annual Report and does not know which findings the OIG considers unresolved.

99-12	4/6/99	Audit of the Corporation's FY 1998 Statement of Financial Position	N/A	The Corporation completed corrective action on the audit subsequent to 9/30/00.
99-15	9/14/99	Audit of Corporation's Oversight and Monitoring of the Health Benefits Programs	N/A	The Corporation made its Management Decision on this audit on 10/5/00. That MD reported corrective action complete on 8 of 12 recommendations.
99-18	8/27/99	Audit of Corporation Contracts with GS Tech, Inc	\$50,850	The Corporation provided a Final Management Decision on this audit to the OIG on 11/20/00.
99-19	5/29/99	Letter Report on Review of ETR Audits	N/A	The Corporation completed corrective action on this audit letter subsequent to September 30, 2000.
99-24	6/30/99	FY 1998 Recommended Improvements to the Corporation's Internal Controls (Management Letter)	N/A	The Corporation provided a status report to the OIG on June 30, 2000, which described corrective action complete on all but four recommendations in this audit. Subsequent to 9/30/00, the Corporation completed action on two more.

TABLE IV

**Management Response to Status of Recommendations on
Corporation Management Issues
As of November 28, 2000**

Category and Report	Number of Recs. In Report	Number Closed	Number Open	Comments
<i>Financial Management</i>				
Fiscal Year 1999 Management Letter, Audit Report 00-38	31¹	26	5	Proposed Management Decision issued to OIG on 10/16/00 described corrective action.
Review of the Corporation's Action Plan, Audit Report 00-13	22²	19	3	Management Decision issued to OIG described correction action.
Audit of the Corporation's FY1999 Financial Statements Audit Report 00-01	27³	22	5	Management Decision issued to OIG on 11/8/00 described corrective action.
Audit of the Corporation's FY1998 Financial Statements and Management Letter, Audit Reports 99-12 and 99-24	57	55	2	Status Report issued to OIG on 11/13/00 described completed corrective action on 55 recommendations.
Audit of the Corporation's FY1997 Statement of Financial Position, Audit Report 99-01	2	2	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴
Recommended Improvement to the Corporation's Internal Controls, Audit Report 99-02	12	12	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴
Auditability Survey and Follow-up Reports, Audit Reports, 96-38,97-09, 97- 29 and 98-23	141	141	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴

¹ OIG Table V, page 22, lists 36 as the number of recommendations in this report. Corporation management tracks the recommendations by the alpha-numeric designation in the OIG Report.

² OIG Table V, page 21, lists 53 recommendations. In the last OIG Semi-annual Report, Table V listed 33 recommendations. The IG has not sent any clarification to Corporation management identifying the 20 additional recommendations. Therefore, until the Corporation receives clarification, it will continue to track the 22 recommendations identified in cooperation with, and agreed to by, the OIG in a 12/7/99 meeting.

³ OIG Table V, page 22, lists 30 as the number of recommendations in this report.

⁴ For these audits, as described more fully in Table III, only 9 recommendations had not been corrected and are now being tracked through the most recent financial audit.

Procurement and Contract Management				
OIG Letter Report on Abt Associates, Audit Report 00-55	1	0	1	Management Decision is due on 3/23/01.
Audit of Corporation Contracts with Hi-Tech International, Inc., Audit Report 00-23	3	3	0	MD, issued to OIG on 11/20/00, reported corrective action complete.
Audit of Corporation Contracts with Encore Management, Audit Report 00-22	6	0	6	Management Decision is due on 3/21/01.
Audit of Corporation Contract #95-43-1005 with OASYS, Audit Report 00-21	18 ⁵	0	18	OASYS to submit incurred cost schedule before management decision can be made.
Follow-up Audit of the Corporation's Procurement Operations, Audit Report 00-12	25 ⁶	0	25	Management Decision due on 3/25/01.
Audit of Corporation Contract #94-004 & 97-743-1006 with Aguirre, Audit Report 00-02	2	1	1	Proposed Management Decision issued to OIG on 10/6/00.
Letter Report on Review of ETR Contracts with Corporation, Audit 99-19	1	0	1	Management will address the recommendation in the Proposed Management Decision.
Audit of Corporation Contract #97-743-1001 with GS Tech, Audit Report 99-18	3	3	0	Management Decision, issued to OIG on 11/21/00, reported correction action completed.
Audit of Corporation Contract #97-743-1005 with ASTEC, Audit Report 99-11	5	5	0	The Corporation notified OIG on June 1, 2000, that corrective action was complete.
Audit of Corporation Contract #95-001 with TvT Associates, Audit Report 99-10	2	2	0	Management Decision, issued to OIG on 11/21/00, reported correction action completed.
Audit of Corporation Contract #95-743-1009 with Biospherics, Audit Report 99-09	3	3	0	Management Decision, issued to OIG on 11/20/00, reported correction action completed.
Audit of Corporation Oversight of the Health Benefits Program, Audit Report 99-15	12	8	4	Management Decision issued to OIG on 10/5/00 reported corrective action complete on 8 of 12 recommendations.
Audit of the Corporation's Procurement Policies and Procedures, Audit Rpt. 98-24	26	26	0	Notice of Final Action issued to OIG on 1/27/00 reported all corrective action complete.

⁵ This audit report was issued to the Corporation on September 25, 2000. Corporation management has not yet confirmed the number of recommendations we will track with the OIG.

<i>Grant Oversight and Monitoring</i>				
State Commission Pre-Audit Surveys Issued during this Period	2	1	1	Recommendations in each case require follow-up through the Corporation's audit resolution and the Commission Standards Review processes. Reviews scheduled over 3 years.
Audit of Grants to Health Association of Niagara County, Audit Report 00-05	2	2	0	Management Decision issued to OIG on 10/5/00 reported corrective action complete.
Evaluation of the Corporation's Oversight and Monitoring of NACCRRRA, Audit Report 00-04	18	0	18	Management Decision is overdue.
Audit of Corporation Cooperative Agreement with Walker and Co, Audit Report 00-03	4	4	0	Notice of Final Action issued to OIG on 7/24/00 reported all corrective action complete.
Review of the Corporation's Liability for Post-Service Benefits Related to Former Commission Grants, Audit Report 99-06	5	5	0	The Corporation completed corrective action by 9/1/00 and reported action complete to OIG on 10/26/00.
Assessment of AmeriCorps Service Hour Reporting, Audit Report 98-19	18	18	0	Notice of Final Action, issued to OIG on 1/21/00, reported all corrective action completed.
Review of Corporation Pre-Award Financial Assessment of Grant Applicants, Audit Report 98-02	3	2	1	Final Management Decision issued to OIG on 9/15/99 reported 2 of 3 recommendations closed.
<i>Audit Resolution</i>				
OIG FY97 Semiannual Report I, issued April 30, 1997	5	5	0	Corporation provided final report to OIG on 1/3/00. Audit resolution system in place and operational.
TOTALS	456	365	91	